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AT&L Acquisition Confe

Budget Management St on

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Director for Invest Programs
of the Under Secretary fense (Com r)

March 28

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Agenda

Comptroller Role
It is About Money
It is About Less Money
Budget Management (Acquisition)
Facts-of-Life

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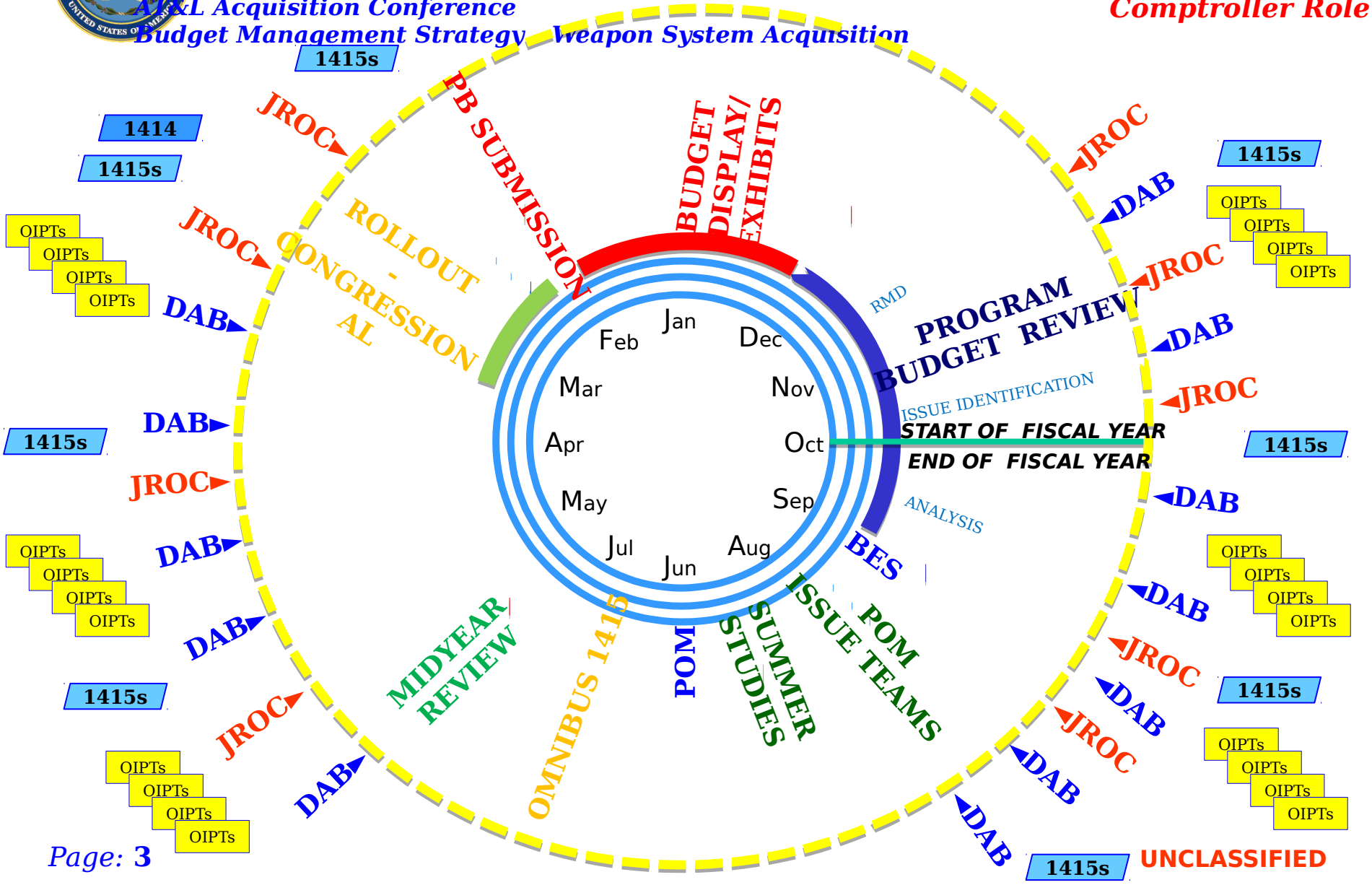

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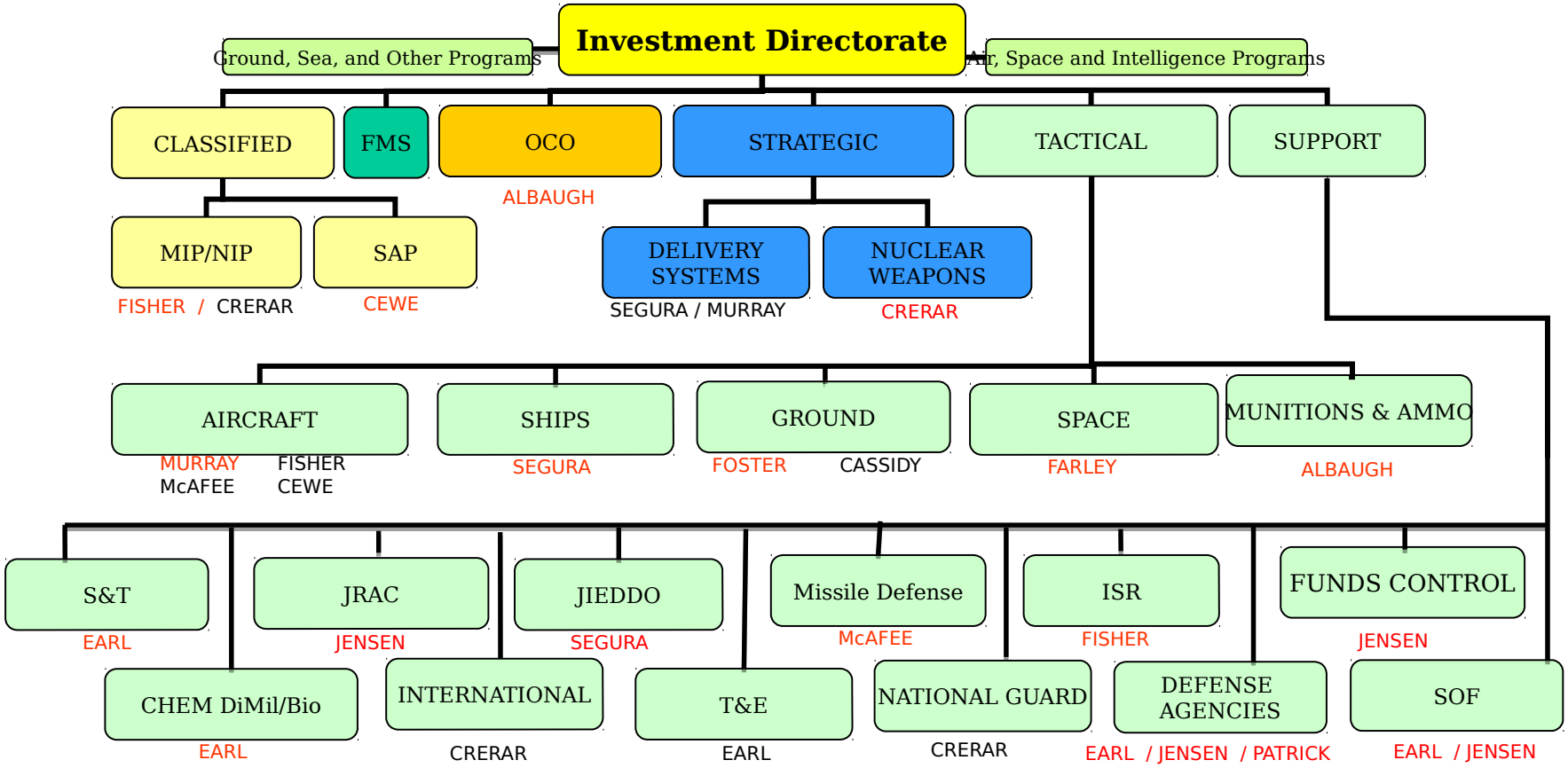
FUNCTIONAL SPAN OF OVERSIGHT



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Customers:

OSD Staff

- AT&L
- CAPE (PA&E)
- CIO/NII
- OGC
- OT&E
- USD(I)
- USD(P)

USD(C)
PDUSD(C) / PB

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Investment Directorate Duties:

- Provide program and budget advice to the Under Secretary of Defense (Comptroller).
- Provide program control and oversight for Procurement and RDT&E funding by managing funds releases and monitoring monthly budget execution.
- Conduct program/budget reviews (with OMB) and OSD staff.
  - Prepare decisions documents (RMD/PBD).
  - Participate in the POM issue teams with CAPE
  - Prepare congressional justification materials.
- Monitor programmatic aspects of Procurement and RDT&E programs by participating in OUSD(AT&L) acquisition process.
- Provide guidance and establish funding policy with regards to Procurement and RDT&E funds.

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Funds Currently Under Management

(Dollars in Billions)

Procurement Accounts	
FY 2010/2012	**135.6**
FY 2011/2013	**135.3**
FY 2012/2014	**113.4**
	$384.3
Research, Development, Test & Evaluation	
FY 2011/2012	**77.3**
FY 2012/2013	**75.4**
	$154.7
Total	**$539.0**

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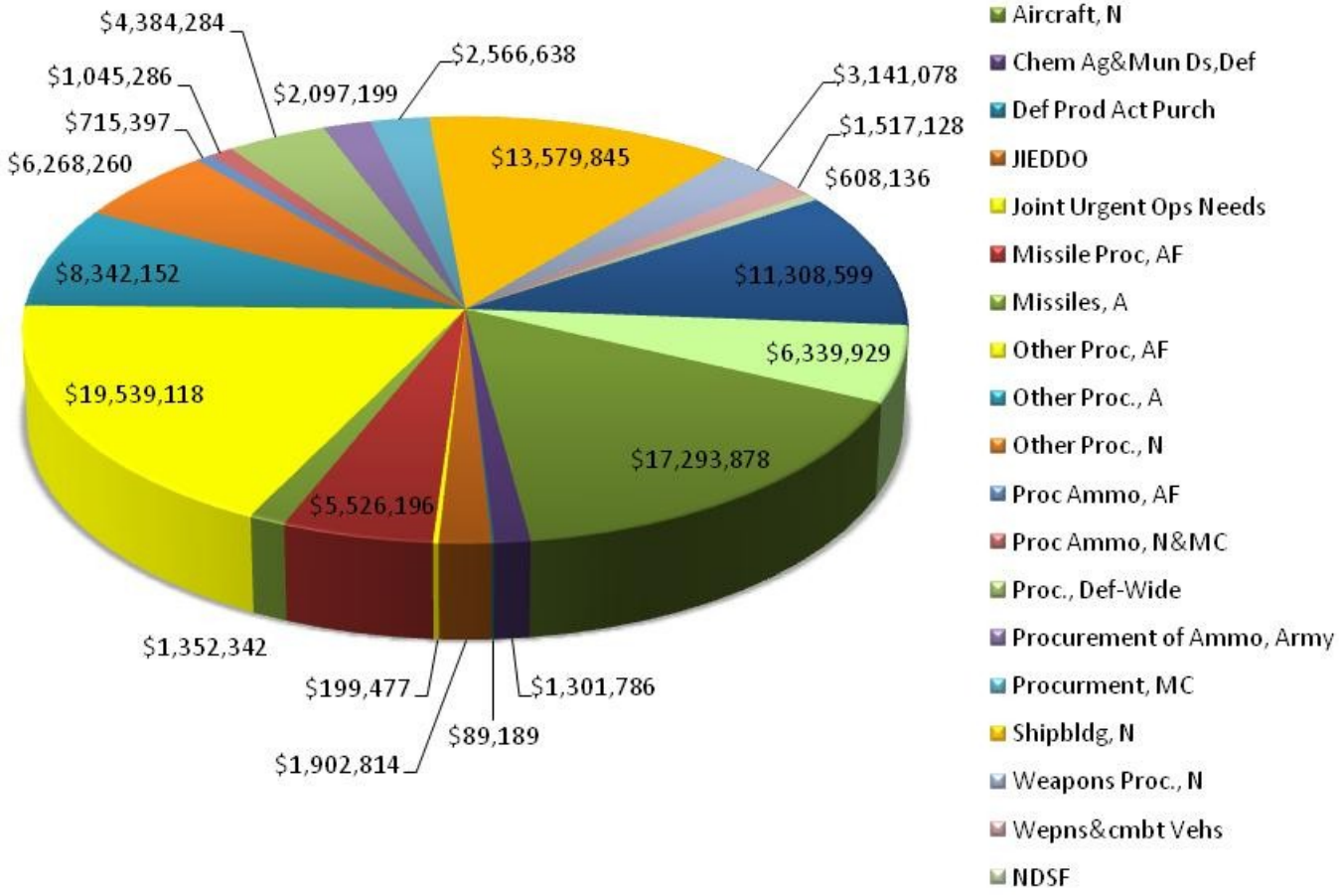
FY 2013 President's Budget – Investment $178.8 billion

(Chart Dollars in Thousands)



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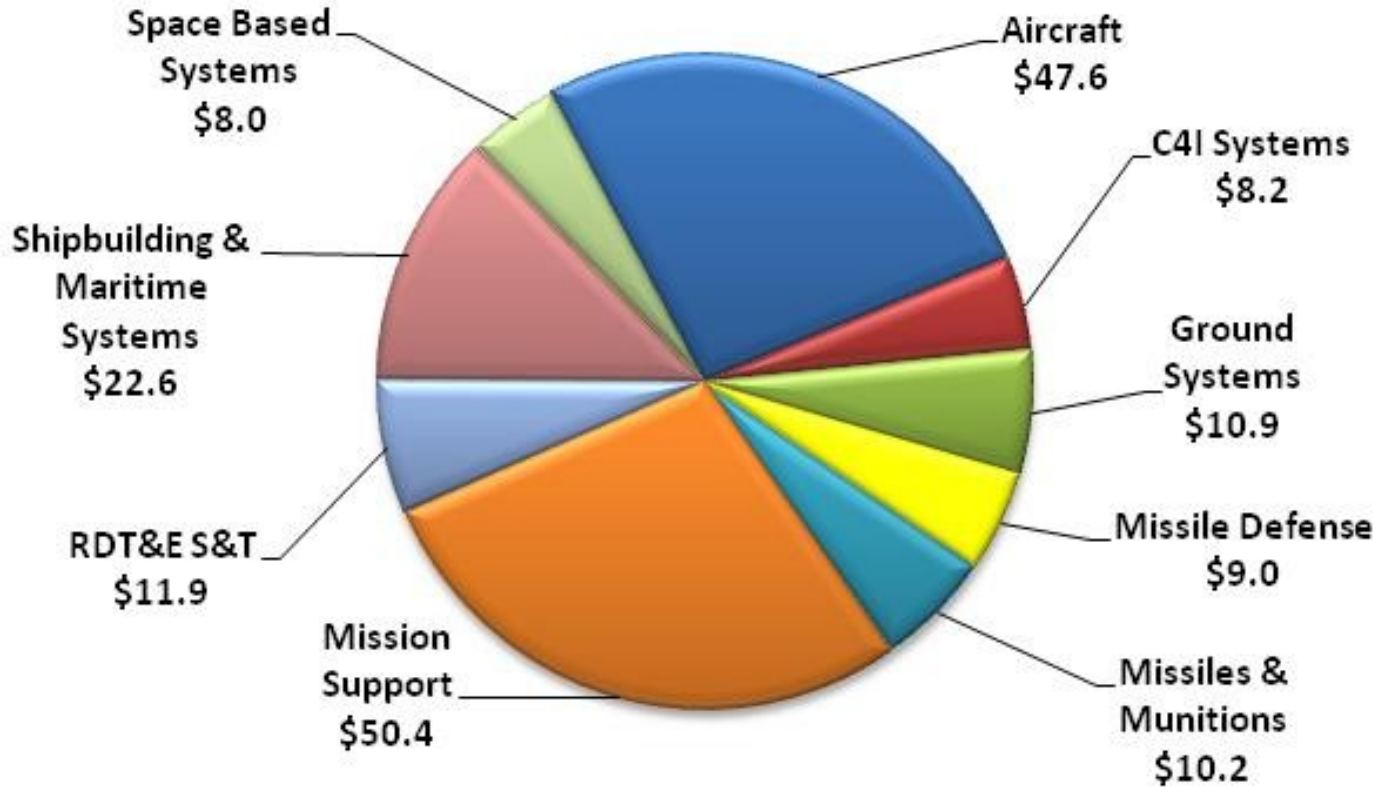
FY 2013 President's Budget – Investment $178.8 billion

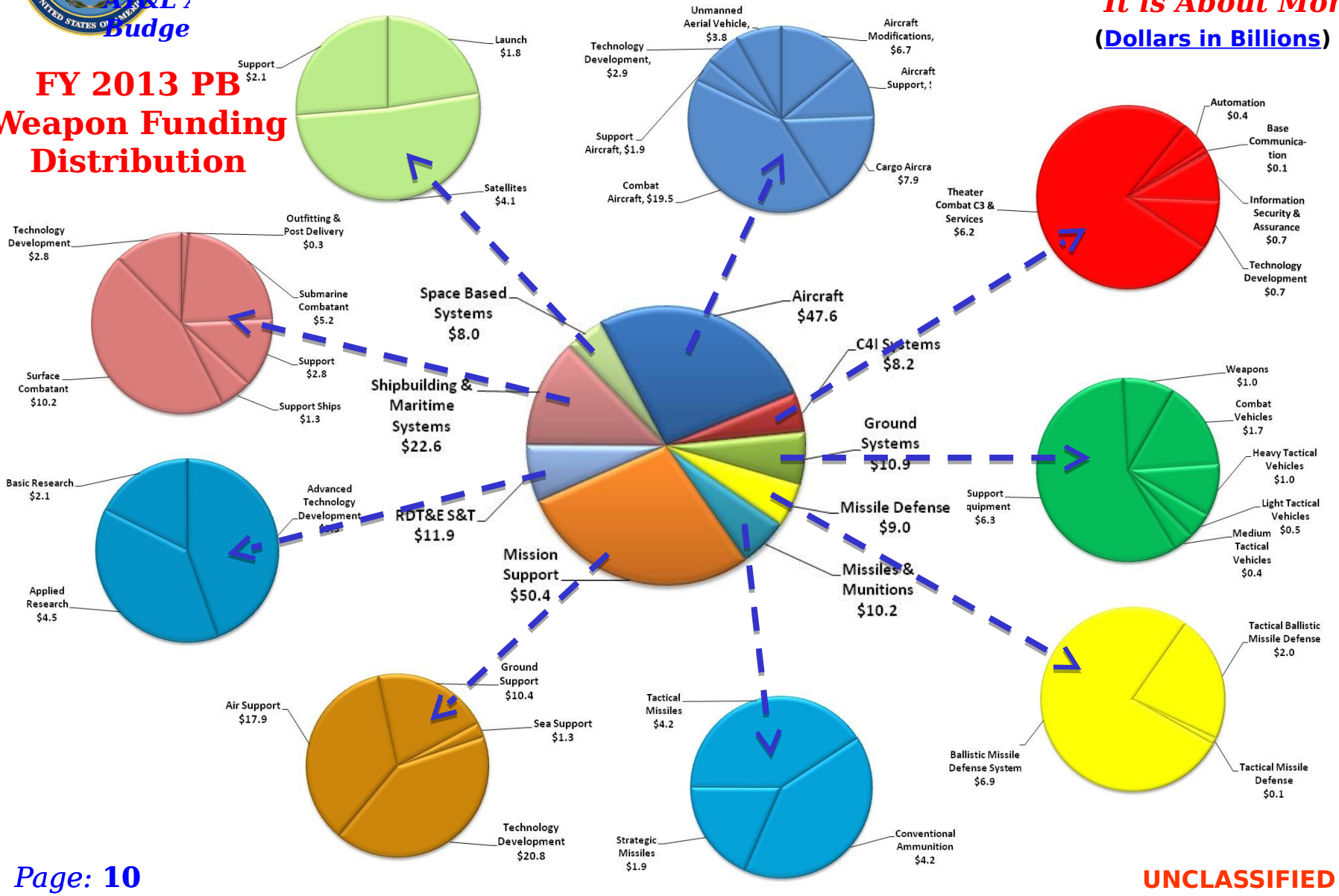


AT&L / Budge

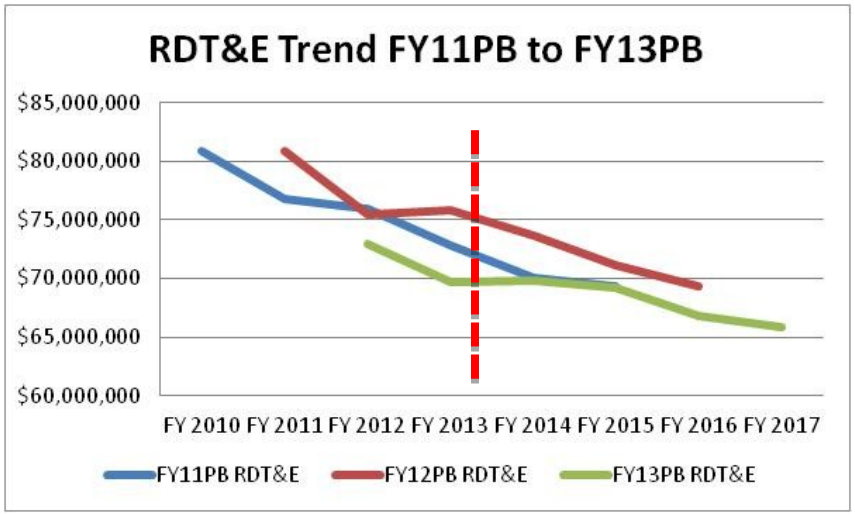
It is About Money

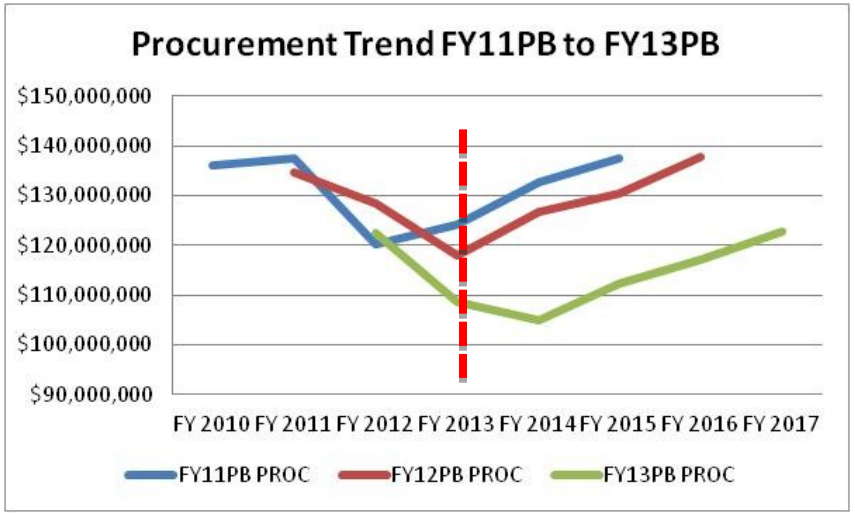
(Dollars in Billions)

FY 2013 PB Weapon Funding Distribution



Fund Trends (FYDP)





- ✓ **The budgets for both Procurement and RDT&E has been decreased, since the FY 2011 PB, which already has a downward trend in the outyears.**
- ✓ **The rate of decrease continues in the FY 2013 PB.**
- ✓ **For example, the amount projected for FY 2013 in the FY 2011 PB is $18.6 billion higher than the funding level for FY 2013 in the FY 2013 PB.**
- ✓ **Between FY 2013 though FY 2016, $95.0 billion was removed from the two Investment accounts FYDP, when comparing the FY 2011 PB to the FY 2013 PB funding**

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Budget Trends By Title
(Base Budget)

(Dollars in Billions)

	FY 2011 Actual	FY 2012 Enacted	FY 2013	Δ FY12/13
Military Personnel	137.8	141.8	135.1	
Operation and Maintenance	194.1	197.2	208.8	
Procurement	102.1	104.5	98.8	-5.7
RDT&E	75.3	71.4	69.4	-2.0
Military Construction	14.8	11.4	9.6	
Family Housing	1.8	1.7	1.7	
Revolving & Management Funds	2.4	2.6	2.1	-7.7
Total	528.3	530.6	525.4	-4.4%

Numbers may not add due to rounding

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Base Budget Dollar Trends

PB13 Accommodates Budget Control Act

(Dollars in Billions)

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	Total FY13 – 17	Total FY12 – 21
DoD FY12 PB	$528.2	$553.0	$570.7	$586.4	$598.2	$610.6	$621.6	$2,987.5	$6,140.6
Delta FY12-FY13	--	-$22.4	-$45.3	-$52.8	-$52.3	-$54.7	-$54.3	-$259.4	-$486.9
DoD FY13 PB	$528.2	$530.6	$525.4	$533.6	$545.9	$555.9	$567.3	$2,728.1	$5,653.7
Real Growth	-1.9%	-1.4%	-2.5%	0.0%	+0.8%	+0.2%	+0.2%	-0.3%/yr*	-0.1%/yr*

* Average per year

Numbers may not add due to rounding

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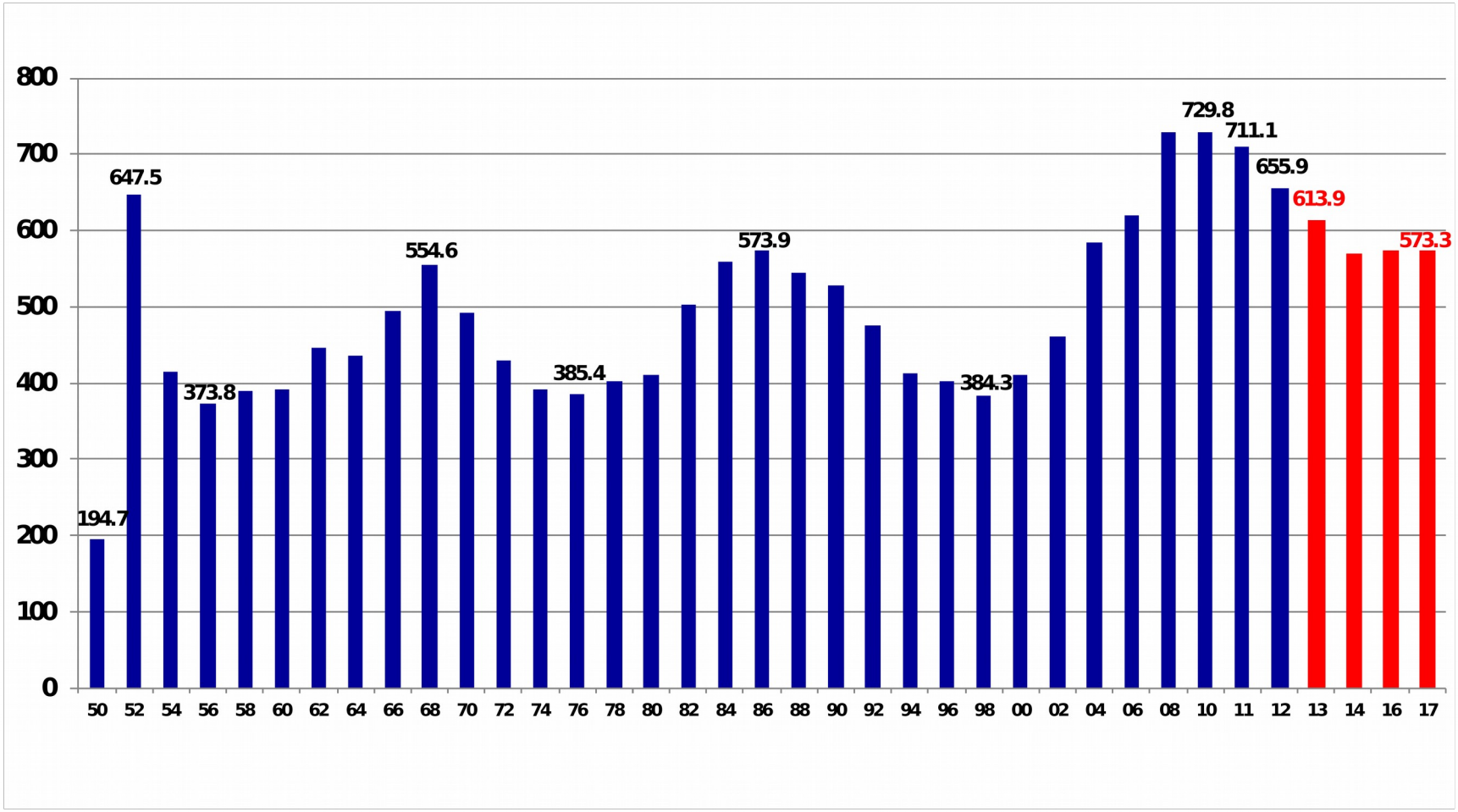

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Prioritize Among Investments

Savings of about $75 billion over FYDP

FY 2013-2017

- Joint Strike Fighter (-179 a/c) *$-15.1 billion*
- Reduced shipbuilding *$-13.1 billion*
- Delay SSBN-(X) *$-4.3 billion*
- Army Ground Combat Vehicle *$-1.3 billion*
- Global Hawk Block 30 *$-2.5 billion*
- Defense Weather Satellite System *$-2.3 billion*
- HMMWV Recapitalization *$-0.9 billion*

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More Disciplined Use of Defense Dollars

- **FY 2013 President's Budget Initiative (*~$60 billion in savings*)**
  - Reduce OSD and Defense Agency expenses *($-10.7 billion*)
  - Rephase military construction *($-8.2 billion*)
  - Travel and printing savings *($-0.5 billion*)
  - Enterprise IT savings *($-4.1 billion*)
  - Strategic sourcing *($-2.2 billion*)
  - **Better buying practices *($-5.3 billion*)**
  - Streamline installation support (*$-5.3 billion*)
  - Improve financial information and achieve audit readiness
- **Implement FY 2012 President's Budget Proposals**
  - Implementation plans in place

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What Now?

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What needs to be done to execute within the likely available budgets:

- ✓ Better Cost Estimates (Planning)
- ✓ Realistic Requirements (Planning)
- ✓ Better Contracts (Planning)
- ✓ Program Management (Execution)

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✓ Better Cost Estimating (Planning)

- ✓ Is the program budgeted to most likely cost
- ✓ Labor and material costs realistic
- ✓ Learning curve efficiencies assumed in the cost estimate
- ✓ Relationship between change in dollars and change in workload
- ✓ Candidate for multi-year procurement (MYP)
- ✓ Defense Contract Management Agency agree with the estimate
- ✓ Earned Value Management System (EVMS) data available
- ✓ Annual quantities near economic production rates
- ✓ Efficiencies been priced into the estimate
- ✓ Is there a potential for excessive profit or return

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✓ Realistic Requirements (Planning)

- ✓ Requirement that are consistent with the defense strategy
- ✓ Investing in the weapon systems needed for the next fight
- ✓ End item that are “useable”, or would not require additional design/engineering “content” (funding) via. Engineering Change Proposals to make it acceptable to the operational commander.

✓ Better Contracts (Planning)

- ✓ Fixed Price (FP) contracts are a good start towards limiting the government's liability and exposure. However, if the contractor has folded into his contact proposal the risk of a FP contract, i.e., "priced in the risk to him", then the cost ends up being assumed by the government.
- ✓ Guard against contractors depending on Engineering Change Proposals (ECPs) to "make up the difference".
- ✓ Major defense contractor Profits and Return on Investment (ROI) are running above the average to commercial contracts.
- ✓ Stop using Undefinitized Contracts (UCA)

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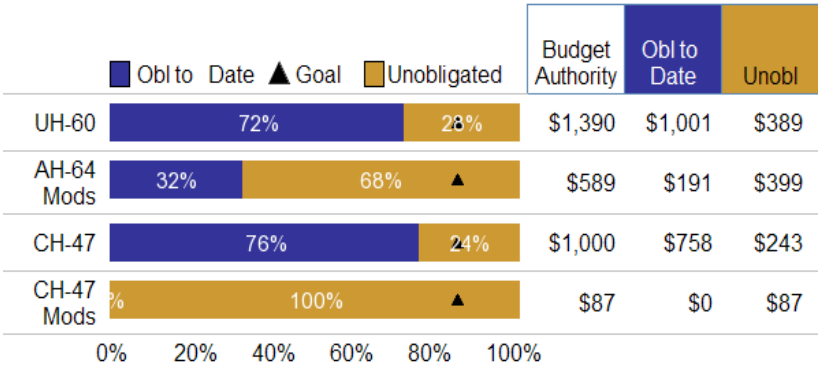
✓ Program Management (Execution)

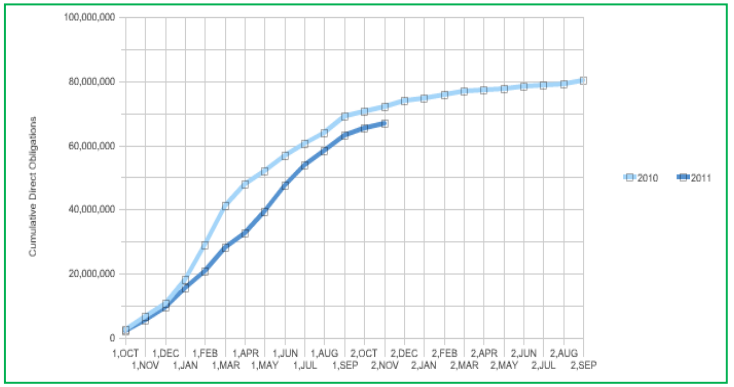
- ✓ Is the program plan event driven, or driven by schedule
- ✓ Is the engineering and system design stable
- ✓ Does the contractor know what it is doing
- ✓ Can the contractor deliver the product under the criteria of what has been negotiated

- ✓ We have too many Nunn McCurdy breaches
- ✓ We have too many Engineering Change Proposals
- ✓ Budgets and cost estimates are not realistic
- ✓ Buying (paying) for capabilities that are not needed
- ✓ Optimistic assumptions with regards to execution

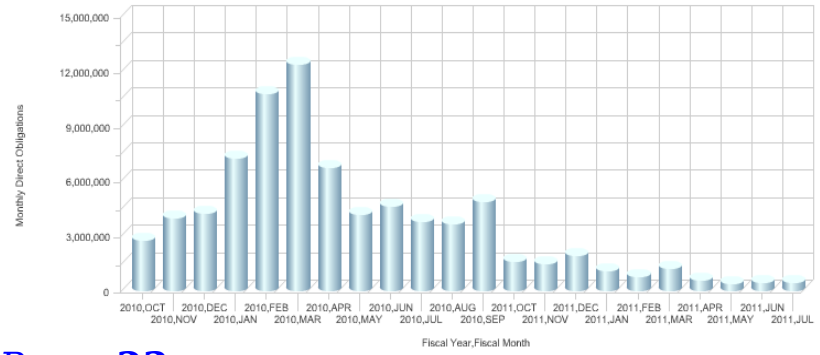
✓Obligation & Outlays (Execution)

FY 2010/2012 Army Aircraft Procurement Obligations
Percent of Program Obligated

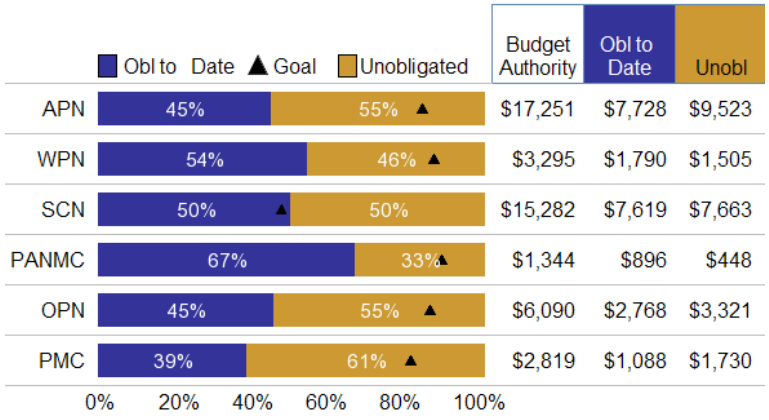




	Monthly Obligations (Direct)											
Fiscal Year	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
2010	2,761,069	3,943,014	4,216,795	7,216,946	10,751,818	12,381,447	6,699,826	4,174,507	4,631,328	3,764,702	3,641,187	4,866,334
2011	1,616,405	1,451,233	1,930,574	1,108,159	751,946	1,219,906	588,767	352,763	456,294	431,081		



FY 2011/2013 Navy & Marine Corps Procurement Obligations
Percent of Program Obligated



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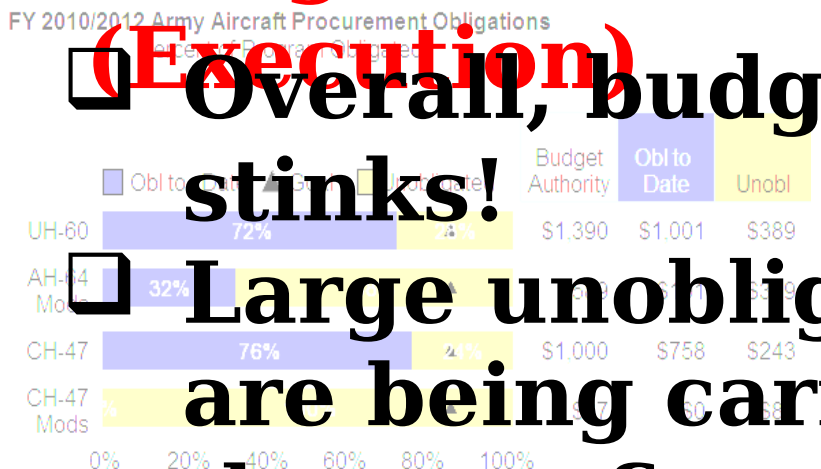
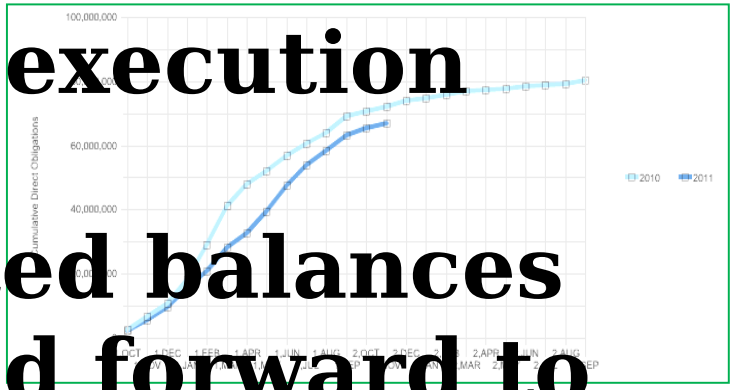
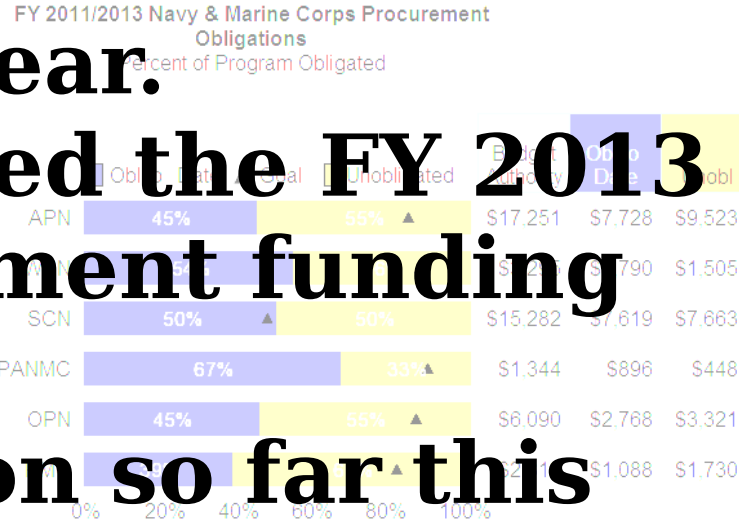
✓Obligation & Outlays (Execution)

- Overall, budget execution stinks!
- Large unobligated balances are being carried forward to the next fiscal year.
- RMD 700 reduced the FY 2013 program Investment funding by $2.8 billion.
- Budget execution so far this fiscal year has not been







❖ The New Fiscal Environment

- ✓ Federal government deficits are becoming unmanageable
- ✓ Defense spending is going down
- ✓ The war is ending
- ✓ Acquisition is discretionary
- ✓ Pay and Operations costs are paramount
- ✓ Unrealistic and overly optimistic predictions do not help
- ✓ Need to focus on what we need, not want we want
- ✓ Need to think about - beyond current

❖ Risk to Acquisition Budgets:

- Sequestration
- Contractor pension liabilities
- Efficiencies that not materialize
- Contingency without compensation
- Cost growth in programs
- Unrestrained requirements
- Optimistic assumptions
- Poor planning

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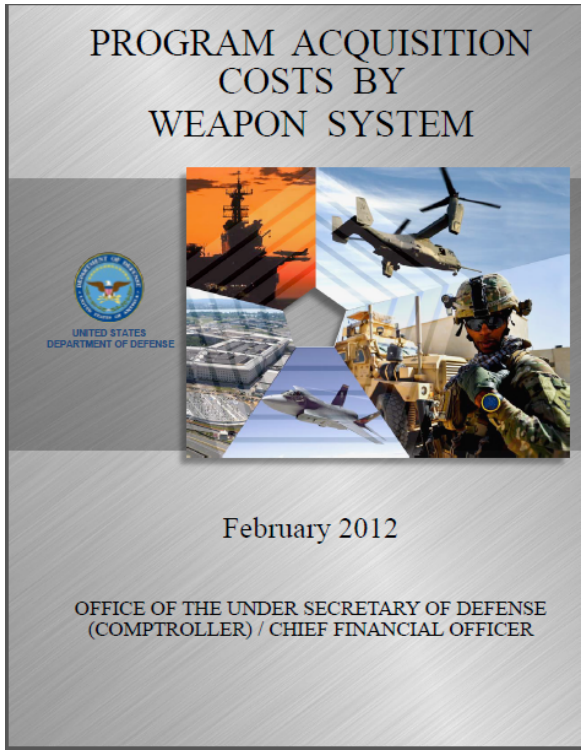
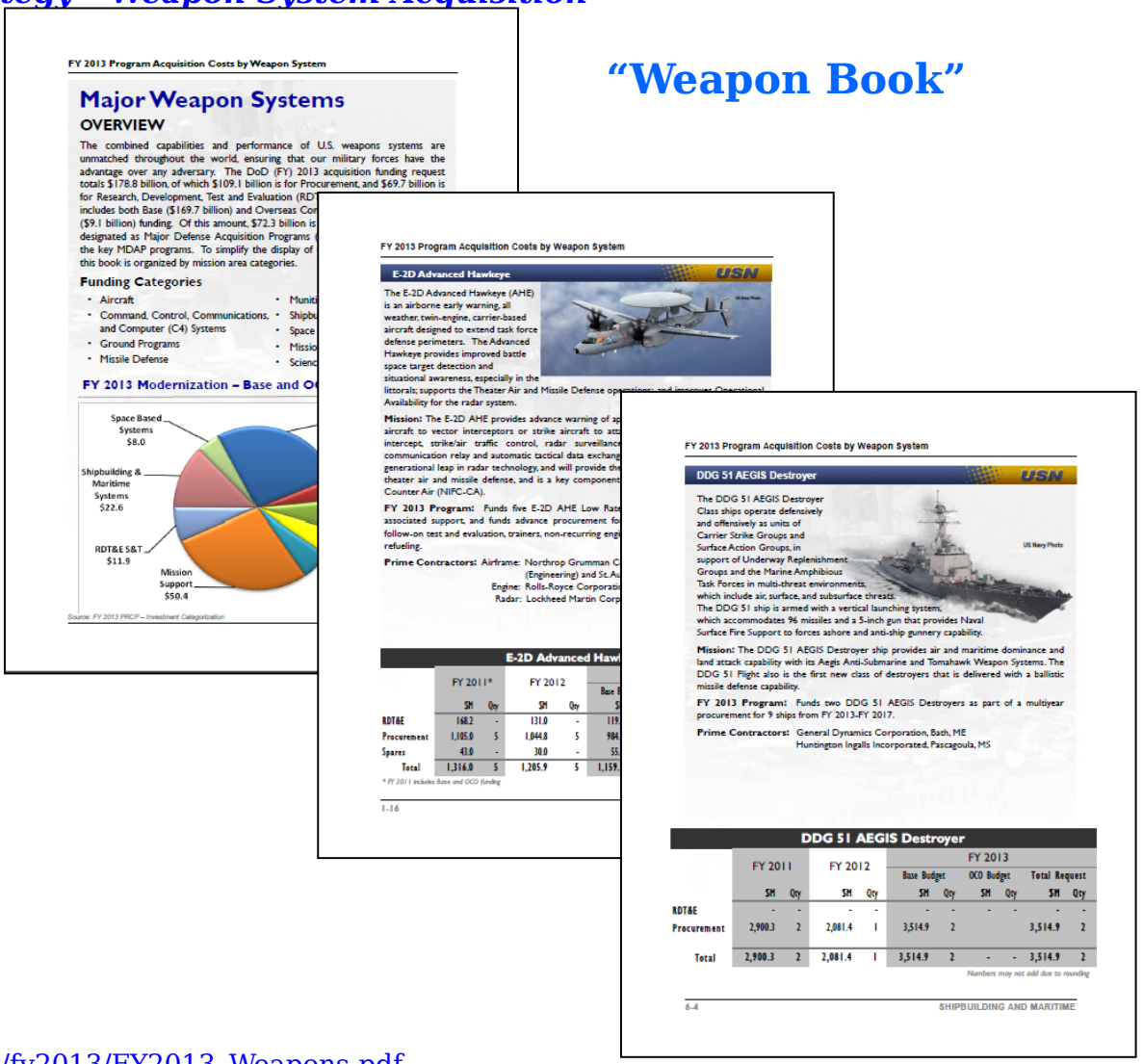
❖ What are we doing to help?

- ➢ Improve budget exhibits (XML)
- ➢ Work with DFAS and DLA to improve funds control
- ➢ Working with Components and DFAS to improve the recording of obligations and expenditures
- ➢ Realignment of funds (reprogramming) to support changes in execution and

AT&L Acquisition Conference
Budget Management Strategy – Weapon System Acquisition


PROGRAM ACQUISITION COSTS BY WEAPON SYSTEM
UNITED STATES DEPARTMENT OF DEFENSE
February 2012
OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CHIEF FINANCIAL OFFICER

"Weapon Book"



On the Internet @
http://comptroller.defense.gov/defbudget/fy2013/FY2013_Weapons.pdf

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r door is always open.
seek information.
want to maintain a dialogue.
are proponents of a strong national defense.
support the warfighter needs and responsibili
defend the taxpayers' money from waste.

UNITED STATES DEPARTMENT OF DEFENSE
OFFICE OF THE SECRETARY OF DEFENSE (OSD)
OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)

5/27/17